

(1) (a) Each subchapter K entity, and every single member limited liability company having income from property owned or business conducted in this state shall file Form 65 "Partnership Return of Income," on or before the fifteenth day of the fourth month following the close of the taxable year.

**(b) The entity will be granted an automatic five month extension of time for filing the Form 65.**

**1. An entity that fails to file the required return by the extended due date may not be granted an automatic extension the following (ensuing) year, but may be required to request the extension in writing.**

**2. If a written request is required, the request must be made to the Commissioner of Revenue or to his designee, and must explain the reason for the request and the reason for failing to timely file the return in the previous year. The request also must state that the entity has no outstanding debts owed to the Department.**

**(b) (c)** An Alabama Schedule K-1 must be prepared for each person who held an interest in the subchapter K entity or single member limited liability company during the taxable year showing each partner's or member's name, address, social security or federal employers identification number, distributive share of the income (or loss) of the partnership, and distributive share of charitable contributions made by the partnership.

1. For an Alabama resident partner or member, the K-1 shall include:

(i) For multi-state subchapter K entities doing business within and without the State of Alabama, only that income which is required to be allocated and apportioned to Alabama under the rules of Section 40-18-22. (If the multi-state subchapter K entity is not doing business in Alabama, no income is reportable to Alabama from that subchapter K entity.)

(ii) For a subchapter K entity doing business in only one state, whether the state of Alabama or another state, the distributive share of the entire income from that subchapter K entity.

2. For a non-resident partner or member, the K-1 shall include:

(i) For multi-state subchapter K entities doing business within and without the State of Alabama, only that income which is required to be allocated and apportioned to Alabama under the rules of Section 40-18-22.

(ii) For a subchapter K entity doing business in Alabama exclusively, the distributive share of the entire income from that subchapter K entity.

**(e) (d)** Form 65 is designed as a "cover sheet" to the federal Form 1065 "U.S. Partnership Return of Income."— The computation of Alabama net partnership income on Form 65 begins with the ~~Federal~~ **federal** ordinary income as shown on Form 1065. Adjustments must be made to conform federal income to the Alabama law for any items of income or expense, except contributions, which are passed directly through to the

partners or members on the federal return and for items which are treated differently under Alabama law than federal law. These adjustments include, but are not limited to, the following:

1. long-term capital gains (or losses) which are passed through directly to partners or members on the federal return are added to federal ordinary income, and
2. additional depreciation is allowed for assets which have a reduced federal basis due to investment tax credits or which have been expensed under I.R.C. § 179, and
3. depletion on oil and gas properties which is passed through directly to the partners or members in the federal return are subtracted from federal ordinary income using the rates allowed by §§ 40-18-16 or 40-18-15, and
4. percentage depletion in excess of cost on minerals other than oil and gas are added to federal ordinary income.
5. interest expense passed through directly to partners or members on Form 1065 is subtracted from federal ordinary income.
6. any other items of income, expense or deduction which are passed directly through to partners or members and not included in federal ordinary income.

~~(d)~~ **(e)** Federal Form 1065 and accompanying schedules must be attached to Form 65 when filed.

~~(e)~~ **(f)** The return must be signed by one partner or member and the person who prepared the return, and must contain a printed declaration that it is made under the penalties of perjury.

(2) See Reg. 810-3-24-.01, et seq., for computation of distributive income for subchapter K entity or single member limited liability company and the distributive share for each partner or member.

(3) Partnership returns shall be made on or before the fifteenth day of the fourth month following the close of the calendar or fiscal year, whichever taxable year is used by the subchapter K entity or single member limited liability company.

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Code of Alabama 1975  
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